NORTH CENTRAL REGIONAL TRANSIT DISTRICT (NCRTD)
FINANCE SUBCOMMITTEE

Tuesday November 27, 2012
10:30 a.m. - 12:00 p.m.
Jim West Regional Transit Center, Espanola, NM

AGENDA

CALL TO ORDER

Roll Call

ITEMS FOR DISCUSSION/RECOMMENDATION:

A. **Exit Conference Fiscal Year 2012 Audit** (Hinkle & Landers, Auditors). *Sponsor:* Anthony Mortillaro, NCRTD Executive Director, and Glenda Aragon, Finance Manager. *(Attachments to be distributed at meeting by auditors.)*

B. **Draft Inventory/Fixed Asset Policy.** *Sponsor:* Anthony Mortillaro, NCRTD Executive Director, and Glenda Aragon, Finance Manager. *Attachment.*

C. **Continue Review of Performance Measures for District Operations.** *Sponsor:* Anthony Mortillaro, NCRTD Executive Director and Mike Kelly, Transit Operations and Facilities Manager. *Attachment.*

MATTERS FROM THE SUBCOMMITTEE

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language Interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.

Memorandum

To: Finance Committee

From: Glenda Aragon, Finance Manager

Thru: Anthony J. Mortillaro, Executive Director

CC:

Date: November 26, 2012

Re: **Draft Inventory/Fixed Asset Policy**

Background

The NCRTD is in need of establishing standards for accounting for and controlling of the fixed assets acquired and owned. The Inventory and Fixed asset policy and procedures has not been formally written and adopted. The NCRTD had been maintaining inventory as stated in the requirements set forth in NMSA 1978 Chapter 13-6-1 and 13-6-2, and as noted in our Audited financial notes, although these standards were followed and maintained there was a need to have them formally adopted into NCRTD policies and procedures. To accomplish this, subsequent sections of this rule describe the procedures for the acquisition of fixed assets, the methods for assigning values to acquired assets (valuation), the methods of depreciating fixed assets whether required or optional, the establishment of internal controls on fixed assets, the procedures for conducting the annual inventory of fixed assets, and the allowable methods for the disposition of fixed assets.

Recommendation

It is recommended that the Finance Sub-committee review and discuss the proposed Inventory and Fixed asset policy and procedures and consider an affirmative recommendation to the Board to adopt the Inventory/Fixed Asset policies and procedures as maybe amended.

Attachments:

Draft Resolution No. 2012-28
Draft Inventory & Fixed Assets Policy and Procedures

DRAFT

North Central Regional Transit District (NCRTD)
Resolution 2012 - 28

A RESOLUTION AUTHORIZING and ADOPTING
AN INVENTORY/FIXED ASSET POLICY

WHEREAS, the NCRTD was created through legislative enactment (NMSA 1978, Section 73-25-1 et seq.); and

WHEREAS, the NCRTD is a sub-division of the State of New Mexico; and

WHEREAS, the NCRTD was approved and certified by the New Mexico Department of Transportation on the 14th day of September 2004; and

WHEREAS, the NCRTD is authorized to adopt a written Inventory/Fixed Asset Policy pursuant to NMSA 1978 amended 12-6-10.

NOW THEREFORE BE IT RESOLVED THAT THE BOARD OF DIRCTORS OF THE NCRTD, HEREBY ADOPTS ATTACHMENT "A" AN INVENTORY/FIXED ASSET POLICY AS ATTACHED HERETO.

PASSED, APPROVED AND ADOPTED BY THE GOVERNING BODY OF THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT ON THIS 7th DAY OF DECEMBER 2012.

_____
Daniel Barrone, Chairman

Approved as to form:

_____
Peter Dwyer, Counsel

DRAFT

NORTH CENTRAL REGIONAL TRANSIT DISTRICT	
SUBJECT: Inventory & Fixed Asset Policy & Procedures	**NUMBER**: FIN-05
EFFECTIVE DATE: December 7, 2012	Adopted by Board Resolution No. 2012-28 on December 7, 2012
AMENDS/SUPERSEDES:	**APPROVED**: ANTHONY J. MORTILLARO, EXECUTIVE DIRECTOR

1.0 Objective:

The objective is to establish standards for the accounting for and the controlling of the fixed assets acquired and owned by NCRTD. To accomplish this, subsequent sections of this rule describe the procedures for the acquisition of fixed assets, the methods for assigning values to acquired assets (valuation), the methods of depreciating fixed assets whether required or optional, the establishment of internal controls on fixed assets, the procedures for conducting the annual inventory of fixed assets, and the allowable methods for the disposition of fixed assets.

2.0 Coverage:

This policy applies to all employees of the NCRTD. The NCRTD Finance Department is responsible for the implementation of this policy and procedures. All managers and supervisors are responsible for knowing, understanding and adhering to the provisions of this policy as applicable to their operations.

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3.0 Inventory Criteria for Tangible Personal Property

A. Current and accurate inventory records shall be maintained for the following:

1. Tangible Personal Property-$5,000 or more per item including improvements and renovations; or if donated, a fair market value at the time of donation of $5,000 per item. Tangible personal property intentionally acquired for resale or used in NCRTD activities as supplies are excluded.
2. Licensed vehicles and rolling stock regardless of cost or donated market value at the time of donation.
3. Sensitive property with an individual cost or fair market value at the time of donation of $1000 or more per item.
4. Computer components with an individual cost of $500 or more per item.

5. Leased property totaling $5,000 or more throughout the life of the lease.

B. Tangible Personal Property Composed of Internal Parts

1. Assets that have internal parts that are necessary to the functioning of the asset are not required to be separately inventoried, and can be considered to be all one asset (inventory record) provided all of the following apply:

a) The internal parts are acquired to place the asset into service and function is required;
b) The life and utility of the internal parts are mainly independent on that of the asset, even if the acquired dates and vendors are different for each item;
c) The cost of each part is included in the aggregate total of the inventory record;
d) The internal parts are included in the description of the inventory record.

2. Should a Department acquire and install an internal part for an asset with an acquisition cost, of at least $500, after it has been placed into service and is functioning as intended, then any subsequent internal parts are considered as separate components and are inventoried separately as a component record. The same asset identification number (ID) is to be used as the original asset, except a suffix is to be added to the ID number that is unique only to the component.

4.0 Inventory Criteria for Real Property

A. Current and accurate inventory records shall be maintained for the following.
1. Land, regardless of cost
2. Buildings and land improvements with an actual or estimated cost, or if donated, a market value of $5,000 or more per item.
3. Real property intentionally acquired through a lease at an insignificant cost and solely as a legal mechanism to disburse bond monies is excluded.
4. Improvements and renovations to an existing building with an actual or estimated cost, or if donated a market value of more than $100,000 per building component.
5. Leased property totaling $5,000 or more throughout the life of the lease.

B. The Finance Department will keep a record of infrastructure.

5.0 Use of Property

Items acquired should be used for the departments business only. Additional requirement apply if items were purchased with federal grant money. Refer to the Federal Transit Administration (FTA).

6.0 Annual Physical Inventories

It is the NCRTD policy to complete timely physical inventories for all assets on an annual basis to ensure the accuracy and reliability of the inventory. Physical inventories should be completed in accordance with the frequency and dates prescribed by the Finance Department.

7.0 Inventory Valuation Basis

A. Fixed assets, including leased items, are entered in the inventory at the cost arrived at after deducting trade discounts and without considering any trade-ins.

B. Parts, supplies and materials are valued on the weighted average basis. Each time such items are purchased at a price different from the average price of the quantity remaining on hand, a new average cost must be computed.

8.0 Disposal of Excess/Obsolete Inventory

A. Use the most practical and cost effective method of disposal. The Requirements set forth in NMSA 1978 Chapter 13-6-1 and NCRTD Resolution 2012-25, must be followed when disposing of fixed assets and inventory.

B. When disposing of property acquired through the use of federal funds, additional steps are required. Please refer to the Federal Transit Authority.

C. Excess computer-related equipment/software should be offered to other departments, within the NCRTD first.

D. Inter-department Transfers

1. Managers should ensure excess items are no longer needed before transferring to another department.

2. A fixed asset transfer form must be completed and forwarded to the Finance Department .

E. Public Auction/Public sale

1. Items not otherwise disposed of through other means should be sold at public auction or public sale, as provided by NMSA 13-6-1.

F. On-site Disposal

1. The on-site destruction method of disposal of property is applicable to obsolete inventory either damaged beyond repair or where it is otherwise not fiscally feasible to dispose of via any other method. In the situation where items are disposed of on site, the following steps must take place:

a. Items should be damaged beyond repair before being disposed.

b. An impartial individual should witness the destruction and sign appropriate documentation stating they witnessed the item was destroyed beyond repair.

c. All documentation related to such destruction should be maintained on site for a minimum of three years.

9.0 Stolen/Missing Property

A. All NCRTD personnel involved in or responsible for any task of maintaining NCRTD property inventories, including a physical inventory, shall notify the department supervisor of any tangible property shown on the current active property report, but cannot be found and/or is suspected of being stolen.

B. A reasonable amount of effort should be made by the department supervisor to determine the whereabouts of the missing items or the reason(s) for their

disappearance prior to taking further action.

C. The notified department supervisor shall review the reported inventory exceptions and, if necessary, will contact the local police requesting an investigation/report. As a guide, the local police should be contacted if the total dollar value of the missing property is in excess of $300. This dollar amount is being provided as a guide only, if the department supervisor feels there is a need to contact the local police; they may do so regardless of the dollar value of the missing items.

10.0 Capitalization of Fixed Assets

A. Computer software is considered an intangible asset since it represents competitive advantages developed or acquired by an organization. Therefore, computer software does not meet the NCRTD's capitalization of fixed asset criteria.

B. Modular furniture (parts requiring assembly with other parts) does not meet the NCRTD's capitalization of fixed assets criteria; only individual fixed Assets (quantities of one that exceed $5,000) are recorded.

11.0 Federal Common Rule Authority and the NCRTD's Fixed Asset Accounting Policies

A. Departments are responsible for adhering to these policies. They are applicable when NCRTD property meets the criteria of a fixed asset as established and defined by the Finance Department.

B. Each department is responsible for adhering to the Federal Common Rule Section 32 and FTA, related to equipment obtained through Federal Grants and FTA.

Training:

There is no training mandated for the implementation of this policy or the statutes identified as the authority for this function.

Definitions:

Equipment: Rolling stock, office equipment, computers, cameras, garage equipment, tools or any other item used to conduct NCRTD business.

1. "Betterment" means a replacement or major renovation of an existing asset or unit of an existing asset by an improved or superior asset or unit, the effect of which is to improve the efficiency of the primary asset or lengthen the remaining service life.
2. "Component" means a separately identifiable part of an asset that is more meaningfully defined as an aggregate assembly.
3. "Depreciation" means the method applied to allocating the cost of a fixed asset over the duration of its useful life.
4. "Fixed Asset" means any property or equipment that has an initial value to NCRTD, whether in cash or trade value, of more than five thousand dollars ($5,000). It is not acquired for subsequent sale or consumption but for utilization in the course of a department's normal operations in

producing and distributing goods or rendered services. The asset is expected to be used or held beyond the fiscal year in which it was acquired with being consumed by its use. Fixed assets include those assets constructed by department personnel. This $5,000 threshold for capitalization is a minimum and does not preclude departments from controlling assets of lesser value through their fixed systems when such control is desirable or appropriate.

5. "Fixed Asset Coordinator" means an individual within a department or a section of a department who is responsible for controlling and accounting for the fixed assets in the custody and use of the department or section.
6. "General fixed assets" means those assets acquired by governmental funds, and not accounted for directly in the real accounts of such funds.
7. "General fixed asset account group" means those accounts used to record and track fixed assets acquired by "governmental funds." These "funds" include the Gross Receipts Tax fund, the Federal grants fund, and the capital project fund. Assets are recorded in these accounts, along with any betterments, impairments or depreciation. Assets are carried in this account group to recognize that they are not a component of fund balance available for appropriation.
8. "Object code" means the expenditure accounting code that indicates the category of benefits for which money was spent.
9. "Physical inventory" means the process of verifying that fixed assets owned by NCRTD, are present in their assigned custody and location, and evaluating their condition.
10. "Proprietary funds" means those funds used to account for the provision of services by a government entity to other government entities or to the public. The financial objective of such funds is to recover through user charges to full cost (including depreciation) of operations.
11. "Tag" means any label or marking that is permanently affixed to a fixed asset, including indelible ink or dyes, numbers physically stamped into the fixed asset, adhesive labels or barcodes, and metal tags.

Inventory Label: a self-adhesive tag or comparable electronic medium device used to safeguard and identify inventoried tangible personal property with a department unique serialized asset ID number by affixing it to an asset.

Lease Fixed Assets: a lease is an agreement between two parties in which the NCRTD makes periodic payments to another party for the right to use the property for a stated period of time. The item is considered a 'capital lease' and should be included in the fixed asset system if the lease meets at least one of the four criteria listed below:

1. Lease transfers ownership to the NCRTD during or at the end of the lease term.
2. Lease contains a bargain purchase option which is a provision to buy the property at a very favorable price.
3. Lease term is equal to or greater than 75% of the estimated economic life of the leased property. (Not applicable if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property.)
4. Present value of the minimum lease payment equals or exceeds 90% of the fair market value of the leased property. Minimum lease payments

generally equal the property rental payments excluding executor costs such as maintenance and insurance.

Licensed Vehicles: all NCRTD vehicles, including renovations and improvements, having a useful life of more than one year, including trailers whether self-propelled or not, that are capable of being licensed through the Motor Vehicle Division, and can be used for over-the-road transportation.

Obsolete Items: Equipment or supplies that are worn out or no longer needed because they are outdated and can no longer be used anywhere within NCRTD.

Property: assets that are owned, subject to ownership, or in effect are owned by the NCRTD. Assets subject to ownership or in effect are owned by the NCRTD would include items being acquired by lease purchase, where the lease purchase contract transfers ownership of property to the NCRTD during or at the end of the lease term. Additionally, assets that are acquired by a capital lease are included where the lease meets one of the four criteria used for determining if a lease is a capital lease.

Real Property: Land and whatever is erected or affixed to land, excluding infrastructure. Major classifications of real property are land, land improvements and buildings. Land improvements include, but are not limited to landscape, sidewalks, parking lots, shelters, storm sewers, towers, storage tanks, etc. Buildings include, but are not limited to, improvements and renovations.

Sensitive Property: Tangible personal property that is highly popular and vulnerable to theft. This includes, but is not limited to, internal components. See Appendix 1.

Supplies: Items consumed or expended when used in the operation of NCRTD activities, or acquired for resale, or have a useful life of less than one year.

Tangible Personal Property: all property that has a real existence (physical) and a useful life of one year or more, excluding real property and intangible personal property, such as software and copyrights. Tangible personal property includes, but is not limited to, equipment, machinery, tools, furniture, office furniture and non-licensed vehicles including renovations and improvements. Tangible personal property is considered real property (building fixtures) when permanently attached and made part of a building in such a way that removal alters the intended use of the facility or site. Thus, it becomes subject to the real property inventory reporting threshold.

APPENDIX 1

North Central Regional Transit District Sensitivity List

Each Department is required to inventory the sensitive property included on this list. The list should not be considered as all inclusive, but is intended to be used as a guide. There may be other items in the general classifications not listed which are subject to the $100 sensitivity threshold.

AUDIO VISUAL EQUIPMENT (example: televisions, VCRs, overhead projector/ camcorder, cameras)

COMMUNICATION EQUIPMENT (example: mobile radio/walkie-talkie/scanners, cellular phones)

GARAGE TOOLS (example: photo volt meters, battery chargers/testers, jack (10-12 ton), Pellet, show shovel plows, trash cans, air compressors, tire balancer, tool boxes, dolly, step ladders, pressure washers)

HAND TOOLS (example: drills, sanders, grinders, circular saws, chain saws, small electronic hand tools, etc.)

MISCELLANEOUS OFFICE EQUIPMENT (example: microwaves, refrigerators, air conditioners, dishwashers, small household appliances, etc.)

OFFICE EQUIPMENT (example: calculators, electric staplers, digital telephones, electronic binder machines, laminators, etc.)

OFFICE MACHINES (example: computers, printers-computer connected/pc related, facsimile machines)

Fixed Asset Inventory Procedures and Guidelines

I. Inventory records for licensed vehicles should be maintained via the Finance Department.

II. All tangible personal property required to be inventoried by this policy shall each be affixed with at least one inventory label, except where the following items or conditions apply:
    a. Licensed/owned vehicles;
    b. Internal components of an original asset;
    c. Items not having an appropriate outside surface area or other physical configuration to allow placement of an inventory label;
    d. Assets subject to environmental conditions not allowing the inventory label to remain affixed to the items throughout their useful life;
    e. Modular furniture that requires attachment to other modular furniture in order to perform its intended function;
    f. Antiques and/or museum items

III. Inventory numbers, once assigned, shall not be transferred from one asset to another or altered in any way.

IV. In order to facilitate the property identification and physical inventories the following apply to inventory labels and/or security labels: (See GUIDELINES FOR THE PLACEMENT OF INVENTORY LABELS)

V. Inventory Record Activity
    a. Transactions related to fixed assets and supply inventories shall be recorded on the appropriate inventory form and inventory system.
    b. Physical inventories shall be reported on the inventory form. Each Department shall complete and sign an inventory form upon the completion of the physical inventory for the respective inventory types. All forms shall be signed by the department Manager & Supervisor and submitted to the Finance Department.
    c. The physical inventory does not relieve staff members of the responsibility for making intermittent checks to determine correctness of the inventory.
    d. Maintenance items (signage schedule holders and material related to maintaining bus shelters) need to be maintained regardless of cost. Garage inventory items are defined by the Finance Department.

VI. Suggested Procedures for the Various Methods of Disposal

The NCRTD Disposal form will be completed, the appropriate method indicated, and the inventory ID label attached (if available) and submitted to the Finance Department .

Guidelines for the Placement of Inventory Labels

Labels should be uniformly located on similar types of property. Recommended placement is prescribed below:

a. Inventory labels should be easily visible with moving the asset;
b. Inventory labels should not impede regular use of the asset;
c. Place inventory labels on the permanent part of the asset;
d. Whenever possible, do not place inventory labels on the bottom, back, or inside drawers of an asset;
e. In executive areas, or areas with furniture. do not deface the décor, or exterior facades;
f. An alternate method of etching, stenciling or painting the inventory number onto the asset can be used instead of an inventory label when a department chooses not affix an inventory label due to items noted in section IV of these procedures;
g. Weather proof paint or weather proof paint markers must be used if painting the inventory number onto the asset.

Examples of placement on Assets:

1. Desks, credenzas – affix where easily accessible, on the front, inside, right side of the item.
2. Table, chairs, stools, sofas, etc. – affix where easily accessible, placed vertically on the front, right leg.
3. Files, cabinets, lockers, racks, bookcases, etc. – affix on the right side, the front, top left corner of the item.
4. Office equipment/machines, computer/accessories and audio/visual equipment – affix to a clean, flat surface, on the front right top corner.
5. Power tools, machinery – affix or etch on a place which is easily accessible on clean flat surface.
6. Small had tools – affix or etch onto a clean, flat surface, on a place which is easily accessible.
7. Rolling stock- Label will be affixed on the inside seam of the driver door jam, near VIN number plate.

Memorandum

To: Finance Subcommittee

From: Mike Kelly, Operations and Facilities Manager

Thru: Anthony J. Mortillaro, Executive Director

CC: Michelle Jacquez, Operations Analyst

Date: November 27, 2012

Re: **Performance Measures - Revised**

Background

Staff presented draft performance measures to the Finance Subcommittee at the October 2012 meeting with the following background:

"Since 2007 the NCRTD has reported to and used the performance measures from the DOT Transit and Rail Division. These measures are number of trips, number of vehicle miles, and number of vehicle hours, total expenditures, and cost per trip. These measures were only for the 5311/5316 grants program and routes and do not represent the full picture of the NCRTD. These performance measures were not reported to the Board or publicly transmitted unless requested. With the GRT revenue stream funding new routes and portions of 5311 and 5316 funded routes, it became clear that performance measures needed to be developed that reflect the consolidated budget encompassing all revenue streams and present a total picture of the performance of all routes and type of service.

The performance measures that were developed are designed to provide data that can be evaluated in a logical manner. It allows the District to identify areas in which its performance may need to be improved and to understand the characteristics and factors that impact that performance. In addition, to the extent feasible a peer comparison or a benchmark has been included as available or appropriate. This performance data is important since many times the District's costs, efficiencies and productivity is not measured against any benchmark or standard or attempts are made to compare it against systems that bear no similarities in mission, complexity or service area. Therefore, the data presented should provide some context in which to assess the District and its efforts to deliver services based upon its mission, goals and objectives."

At the presentation of the draft measures, the Finance Subcommittee directed staff to make revisions, suspend with some data reports while providing more detail in various other sections.

Staff then revised the Cost per Mile, Cost per Trip, Fleet Age, Accidents per Month and added detail to Complaints and Incidents per Month, while deleting the Number of Vehicles on Hand and Monthly Seats Available versus Filled.

Lastly, some additional benchmarking data was found that could be used and originates from the Rural Transit Fact Book 2012. The data is for 2010 in FTA Region 6, rural providers which includes New Mexico, Texas, Oklahoma, Arkansas and Louisiana.

Recommendation

Staff recommends review and discussion and a recommendation from the Finance Subcommittee to the Board for their consideration for adoption.

Attachments

Revised Draft Performance Measure Matrix.